



Field Operations Department

June 4, 2012

TO: Denise T. Roth, Interim City Manager

FROM: Dale Wyrick, P.E., Field Operations Director

**SUBJECT: Greensboro Municipal Solid Waste Management Services
RFP #08-12, Evaluations of Proposals Received**

Please find the attached letter from Joe Readling, P.E., with HDR Engineering, Inc. of the Carolinas. The letter serves as an overview of the process used for evaluating the proposals received from the Request for Proposals #08-12 Municipal Solid Waste Management Services for the City of Greensboro. This information will also be presented to the City Council at their June 6, 2012 Work Session.

I have also included actual cost information for these services from FY2010-11 as you consider the comparison of the 3-year contract offerings provided by HDR (page 8 of 9 in the attachment). These FY 2010-11 costs were taken from the 13th month report from the Budget and Cost of Operations Statement for the Greensboro Transfer Station and can serve as a reference for comparing last year's annual and per ton costs to the projected costs of the offerings received.

FY 2010-11 Costs for Refuse Transfer Station (223,295 tons received in FY 2010-11)

Total Expenditures.....\$ 10,519,589 (includes debt service of \$826,373)

	<u>Annual Cost</u>	<u>Per Ton Cost</u>
Transport Cost (Hilco).....	\$ 2,946,540	\$ 13.20
Disposal Cost (Republic).....	\$ 5,425,162	\$ 24.30
Debt Service (City pays).....	\$ 826,373	\$ 3.70
Operate Cost (City).....	\$ 1,321,514	\$ 5.92
Total Cost.....	\$ 10,519,589	\$ 47.12
*Total Cost w/o debt service.....	\$ 9,693,216	\$ 43.42

**HDR cost comparison on page 8 of 9 of the attachment does not include debt service on the Transfer Station*

ddw

attachment: June 4, 2012 HDR letter

One Governmental Plaza, PO Box 3136, Greensboro, NC 27402-3136 336-373-CITY (2489)

June 4, 2012

Mr. Dale Wyrick
Field Operations Director
300 W. Washington St.
Greensboro, NC 27401

Re: Greensboro Municipal Solid Waste Management Services RFP #08-12
Evaluation of Proposals Received

Dear Mr. Wyrick:

HDR Engineering Inc. of the Carolinas (HDR) provided technical support to the City of Greensboro (City) in the development of RFP #08-12 for Municipal Solid Waste (MSW) Management Services. This letter report is provided to summarize HDR's review and evaluation of the proposals received on May 10, 2012.

BACKGROUND

The City owns and operates the MSW transfer station located at 6310 Burnt Poplar Road. The City currently contracts with Hilco Transport, a local Greensboro hauling company, to transport the City's approximately 233,000 tons of MSW annually to the Uwharrie Landfill located in Montgomery County, NC located to the south of Greensboro near the town of Troy. On behalf of the City, Hilco operates a fleet of 13 on-road tractors and 26 trailers travelling nearly 1.5 million miles to transport close to 10,000 loads of waste from the City's transfer station annually. The City contracts for waste disposal with Republic Services, who manages over 800,000 tons per year of waste at the Uwharrie landfill. The contract with Hilco Transport expires June 19, 2012 but has terms for extension. The contract with Republic Services expires June 30, 2012, and is therefore the basis of the RFP's required implementation schedule of July 1, 2012.

RFP FORMAT

The RFP was structured with seven key sections:

- Section 1 – Introduction and Background Information, provides an explanation of the City's current waste system and other background information
- Section 2 – Terms and Conditions, provides the proposer with key requirements for a successful submittal
- Section 3 – Proposal Preparation Instructions, provides the proposer with a detailed explanation of information required with the submittal, including an outline of the response format
- Section 4 – Qualifications Forms, includes forms for respondents to provide complete details of the company's experience in waste management, references, etc.
- Section 5 – Price Forms, includes a price form for each of the six options
- Section 6 – Evaluation of Proposals, explains the evaluation process, and evaluation criteria to be utilized in review of responses

Section 7 – Contract Principles, provides key contract principles the City expects to be a part of the contract executed between the City and any offerer.

RFP OPTIONS SOLICITED

The RFP included solicitation for three primary services:

- Transfer Station Operations (Operate)
- Waste Transportation (Transport)
- Waste Disposal (Dispose)

Because of the potential for reduced cost to the city, various bundled options were also solicited. The following represents the six optional responses proposers could offer.

- Option 1 – Operate
- Option 2 – Transport
- Option 3 – Operate & Transport
- Option 4 – Dispose
- Option 5 – Transport & Dispose
- Option 6 – Operate & Transport & Dispose

In addition to the six options outlined in the RFP, two other key variables were addressed in the price forms: 1. Since the City does not have direct control of the approximately 230,000 tons per year historically managed through the transfer station, prices for various tonnage ranges were solicited; and 2. Four contract durations (3, 5, 10, and 15 years) were solicited.

PROPOSALS RECEIVED

Proposals were received from the following companies. Some companies quoted only one of the six options, while others quoted more than one option.

- Hilco Transport, Inc.
- FCR Greensboro d/b/a ReCommunity
- Republic Services
- Waste Connections, Inc.
- Waste Industries LLC

The following table includes the responses provided by each company to the six service options:

Options	Hilco	ReCommunity	Republic	Waste Connections	Waste Industries
1 - Operate	✓	✓			
2 - Transport	✓				
3 - Operate & Transport	✓				
4 - Dispose			✓	✓	
5 - Transport & Dispose			✓	✓	✓
6 - All Services			✓	✓	

Responses are summarized below:

- Option 1 – Two firms, Hilco and ReCommunity, offered individual services to operate the City's transfer station.
- Option 2 – One firm, Hilco, offered individual services to transport the City waste to a designated disposal facility.
- Option 3 – One firm, Hilco, offered bundled services to operate the transfer station and transport the waste.
- Option 4 – Two firms, Republic and Waste Connections, offered individual services to dispose of the City's waste.
- Option 5 – Three firms, Republic, Waste Connections, and Waste Industries, offered bundled services to transport and dispose of the waste. For this option, Republic would subcontract the hauling to Hilco, Waste Connections would subcontract the hauling to A-1 Sandrock, and Waste Industries would subcontract the hauling to Stafford Transport.
- Option 6 – Two companies, Republic and Waste Connections, offered complete bundled services to operate the transfer station, transport the waste, and dispose of the waste. For this option, Republic would subcontract the transfer station operations and hauling to Hilco and Waste Connections would subcontract the transfer station operations and hauling to A-1 Sandrock.

A brief description of each company follows.

Hilco Transport (Operate, Transport, Operate & Transport) – Hilco is a Greensboro-based hauling company incorporated in 1987. Hilco has managed the City's waste hauling since the transfer station was opened in 2006. They own a fleet of 144 road tractors, 22 dump trucks, 27 walking floor trailers, and 112 tipper trailers. Total fleet miles driven in 2011 were about 11 million miles. Hilco currently transports approximately 800,000 tons of MSW per year from nine different transfer stations in the Carolinas. They also currently operate two MSW transfer stations.

ReCommunity (Operate) – Formerly FCR, ReCommunity's focus is on recovering recyclable material from the waste stream. FCR has held the City's contract for over 18 years for processing and marketing of recyclables collected by the City. ReCommunity is the largest independent recycler in the country, and they own and operate 36 facilities in 14 states, processing and transferring nearly 2 million tons of recycled MSW each year. ReCommunity's stated primary interest in operating the City's transfer station is to recover additional recyclable materials from the waste stream that are otherwise destined to a landfill for disposal.

Republic Services (Dispose, Transport & Dispose, Operate & Transport & Dispose) – Republic Services is the second largest waste management company in the U.S. with over 30,000 employees nationwide. They own or operate five MSW landfills in North Carolina and have held the MSW disposal contract with the City since the City's transfer station was opened in 2006.

Waste Connections (Dispose, Transport and Dispose, Operate & Transport & Dispose) – Waste Connections was founded in 1997 and has become the third largest solid waste service provider in the U.S., focusing on secondary markets in the western and southern U.S. They manage 142 collection operations, 57 transfer stations, 37 recycling operations, and 45 active landfills. The proposed receiving landfill for disposal of the City's waste is located near Polkton, NC in Anson County. If selected for either the transfer station operations or waste hauling services, Waste Connections will utilize A-1 Sandrock, a Greensboro based firm. A-1 was founded in 1979 and

developed the MSW transfer station off Bishop Road in Greensboro that was then sold to Republic in 2004. A-1 also has a Construction and Demolition Debris landfill off Bishop Road, and they operate a fleet of 14 on-road trucks. Total fleet miles driven in 2011 were about 1 million miles. Additionally, Waste Connections has also named Fulcrum BioEnergy Inc. (Fulcrum) as an "alternative energy partner". Fulcrum was founded in July 2007 and is developing a process to convert garbage to ethanol. Fulcrum's first facility will be located near Reno Nevada and is anticipated to begin ethanol production in 2013.

Waste Industries (Transport & Dispose) – Waste Industries is headquartered in Raleigh and serves one million customers. They own or operate 8 landfills in the southeast, as well as 38 collection companies and 23 transfer stations.

EVALUATION PROCESS

The following is a restatement of key elements of the evaluation process as provided in Section 6 of the RFP.

"The City reserves the right to seek clarifications of proposers and to eliminate from further consideration Proposals which:

- are not in keeping with the City's requirements as stated in its RFP;
- propose cost fees considered insufficient or excessive in the City's opinion; or
- do not include the information in the format requested in its RFP.

Selection of a Contractor will not be based solely on low price but on the total evaluation process. The evaluation process will include the following:

- Proposals will be reviewed and assessed for completeness. An inventory of required information will be made for each proposal. Incomplete data may adversely affect the evaluation. Severely incomplete data will result in the proposal not being evaluated further.
- The Contractor's experience in the areas proposed will be reviewed and assessed in accordance with the minimum qualifications outlined. Proposals of those Contractors which meet the minimum qualifications will be evaluated further.
- The Contractor's project approach will be evaluated in greater detail, including its implementation schedule.
- A comparison of the cost proposal will be made. Identification of major omissions and inconsistencies will adversely affect the proposal evaluation.
- The strengths of the proposer's financial package will be assessed. The demonstrated ability of the Contractor to financially back up the guarantees relative to performance is of major importance.
- Acceptance of the terms and conditions contained in the Contract Principles will be reviewed and evaluated."

EVALUATION OF PROPOSALS

In accordance with the evaluation process outlined in the RFP and restated above, proposals were reviewed and assessed for completeness. Proposals were generally complete, with the exception of the Waste Connections proposal as related to a description of their transfer station operations and transportation services. Waste Connections proposed that those services would be performed by a

subcontractor, A-1 Sandrock, on behalf of Waste Connections. Following are a few of the elements found to be incomplete or otherwise lacking:

- Qualification Form 2A (respondents are to describe their transfer station operations experience) was reworded and cited only A-1's transportation experience, not transfer station experience.
- Form 2A specifically requests that the respondent list equipment proposed for operation of the transfer station (loaders, tamping crane, etc.). The only equipment listed was on-road trucks proposed for transportation services. No equipment appropriate for operation of a transfer station was listed.
- Qualification Form 2B (respondents are to describe their waste transportation experience) cited a reference project related to transfer station operations and hauling. The response in the proposal deviated significantly from the information received during contact with the reference.
- In Form 2B, Item 11 requests data on current over-the-road tractor-trailer vehicles. The response appears to cite the total fleet of A-1 Sandrock trucks (14 units) and not specifically over-the-road-tractor-trailer vehicles (subsequently related during the interview to be four units).
- Qualifications Form 3 – References – indicates that "the proposer shall provide a minimum of three (3) but not more than five (5) references of the most recently awarded and serviced (but not necessarily completed) comparable projects." Waste Connections enclosed a list of corporate experience and did not cite any specific references to contact. No specific references (including contact information) were provided by A-1 Sandrock. One letter of reference was provided by A-1 after the due date of the proposals.

Following review of the completeness of the proposals, each contractor's experience in the area of service proposed was reviewed. Most of the experience cited complied with the guidelines of the RFP. However, the experience cited in the Waste Connections proposal related to the transfer operations and waste transportation services proposed to be performed by A-1 Sandrock was lacking. The following are a few key areas where either the information was lacking, or, based on what was submitted, A-1's experience did not meet the guidelines:

- Section 3.6, Chapter 4 - Experience of the RFP (page 3-4) states:
"The proposer should demonstrate experience....for successfully operating MSW transfer stations... and/or providing transportation services from transfer stations which receive a minimum of 100,000 tons annually. The proposer should have three (3) awarded and serviced...comparable projects..."

While Waste Connections can, and did, cite their corporate experience that meets this, A-1 Sandrock appears to have no prior projects that meet these standards. Since A-1 is the proposed service provider for the transfer station operations and waste transportation services, their ability to demonstrate this experience is important.

- Section 3.6, Chapter 5 - Project Approach of the RFP (page 3-4) states:
"...The proposals should provide a project approach which addresses staffing, equipment, and operational strategies applicable to the services being offered..."

Further, the RFP enumerates other specific details of required content in the proposer's project approach, including how the proposer intends to accomplish the transition into the work within the required schedule. The Waste Connections response is brief and addresses only the landfill equipment to be utilized for disposal. The project approach section of their proposal did not provide information regarding staffing, equipment, and operational strategies related to the A-1 Sandrock proposed services of transfer station operations and waste transportation. Additionally, the project approach does not address how A-1 will accomplish a smooth transition into full production of the work by July 1, 2012 as required. Again, these issues are considered by HDR to be vitally important, particularly when the proposed subcontractor cannot cite experience with comparably sized projects for either of the services they propose to provide.

In HDR's opinion, the Waste Connections proposal lacks important detail as related to the transfer station operations and waste transportation services which A-1 Sandrock would perform under the subcontract arrangement with Waste Connections. Additionally, the Waste Connections proposal does not cite adequate project experience for A-1 Sandrock comparable to the services being offered, nor does it provide an adequately detailed project approach for how these services will be implemented within the allotted time. **For these reasons, HDR recommends that the City only consider the Waste Connections proposal as related to service *Option 4: Dispose Only*, and that their proposal not be considered further for service *Option 5: Transport & Dispose*, nor for service *Option 6: Operate & Transport & Dispose*.**

PROPOSAL PRICING

Price Form 1 of the RFP included tables for proposers to complete their pricing offers. For each of the six options, four different annual tonnages ranges were provided ranging from a minimum of 60,000 tons per year (the approximate tonnage the City collects on residential collection routes) up to 250,000 tons per year. Additionally, the price form included the ability for proposers to offer different unit prices for 3, 5, 10, and 15 year contract terms.

Price Form 2 allowed respondents to cite inflationary indices, if any, that would be used to escalate the base rates offered in Price Form 1. The most common indices cited by respondents were use of some variation of the Consumer Price Index (CPI) and some variation of a fuel escalator to accommodate changes in fuel prices.

The base rates provided by each respondent in Price Form 1 cannot be directly compared due to variations of the inflation indices and fuel escalators proposed by each company. To provide equal comparison of pricing, HDR developed a spreadsheet model that incorporated each respondents proposed indices and escalators, resulting in comparable life cycle cost.

There are four possible scenarios for combining the service options. They are as follows.

- Operate, Transport, Dispose: this scenario assumes the City contracts with different service providers for each service.
- Operate & Transport, Dispose: this scenario bundles transfer station operations and transportation (Option 3) with one company, with disposal services (Option 4) provided by a separate company.

- Operate, Transport & Dispose: this scenario assumes transfer station operation services (Option 1) by one company and bundles transportation and disposal services (Option 5) with a separate company.
- Operate & Transport & Dispose: bundles all three services under one contract (Option 6).

HDR prepared a model to compare the relative cost of each contract combination assuming a 3-year contract term and waste tonnage in the 200,001 to 250,000 tons per year range (over the last three years, the tonnage received at the City's transfer station has averaged 233,000 tons). The costs utilize the inflation index and fuel escalator basis proposed by each respondent. For purposes of the initial model evaluation, the inflation index (i.e., CPI) was averaged over recent years and used to forecast future escalation of prices. Similarly, diesel fuel cost over recent years was averaged and used to forecast future diesel fuel prices. The approximate annual rate of increase for diesel fuel over the last 15 years is 7.43%.

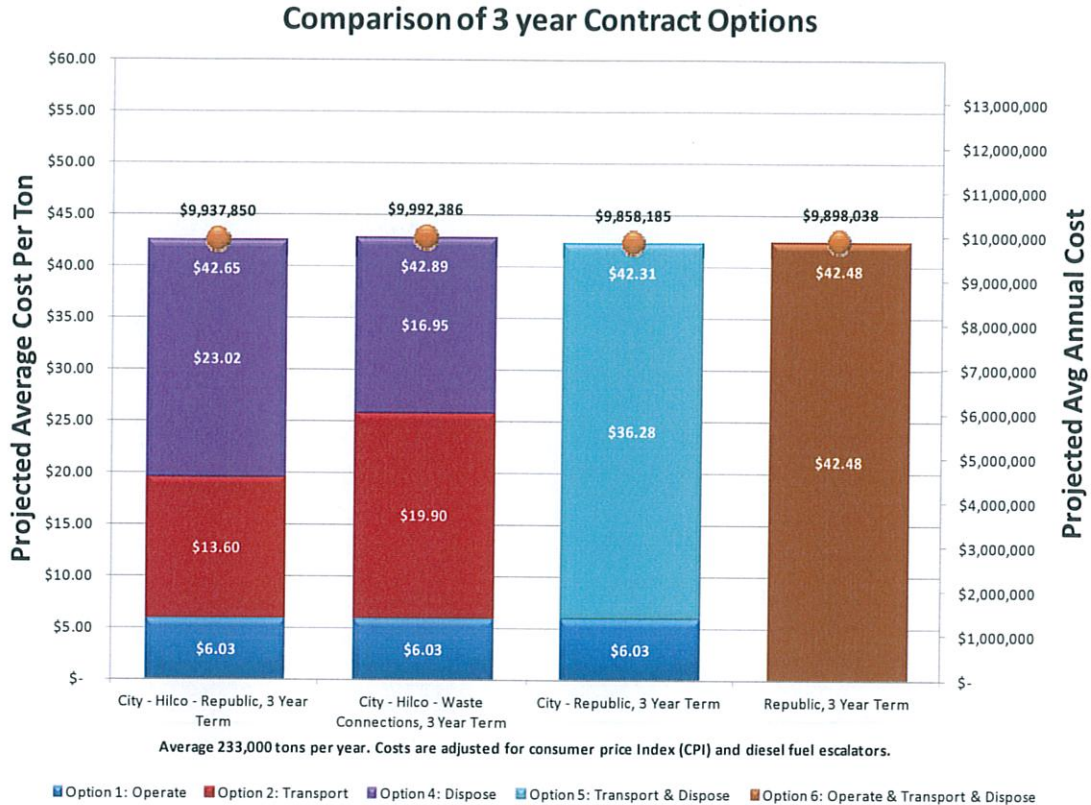
Using the information from the model, the Waste Industries pricing, which offered bundled transportation and disposal services in response to *Option 5: Transport & Dispose* (utilizing their MSW landfill in Sampson County) is several dollars per ton higher than the other proposals which rely on either the Republic operated landfill in Montgomery County or the Waste Connections landfill in Anson County. **Therefore, HDR recommends that the Waste Industries proposal not be considered further.**

Hilco and ReCommunity offered services related to *Option 1: Operate Only*. The cost per ton is about six dollars, which is very similar to the estimated cost for the City to operate the transfer station. It should be noted that the ReCommunity cost does not account for the potential disposal savings that could be realized if they recover recyclable material from the transfer station. However, HDR believes the City would be best served to complete the ongoing solicitation process related to processing and marketing of recovered recyclable materials prior to considering adding a recycling component to the City's transfer station. **Therefore, unless the City prefers to outsource the transfer station operations to a private contractor for reasons other than substantial savings, HDR recommends that the Hilco and ReCommunity offers in response to Option 1: Operate Only, not be considered further. Additionally, since there are no savings realized by contracting with Hilco for the bundled services of Option 3: Operate & Transport, HDR recommends that option not be considered further.**

Applying these recommendations narrows the selection of options to those most viable, as indicated by the remaining checkmarks in the following table.

Options	Hilco	ReCommunity	Republic	Waste Connections	Waste Industries
1 - Operate	X	X			
2 - Transport	✓				
3 - Operate & Transport	X				
4 - Dispose			✓	✓	
5 - Transport & Dispose			✓	X	X
6 - All Services			✓	X	

The following graph shows the relative cost of each remaining contract option assuming a three year contract term. Costs are reported as the average annual cost for the term.



As indicated, the cost of service for each of the remaining options is very similar. HDR recommends the City select from these combinations for a 3 or 5-year contract term. It should be noted that these cost of service estimates do not include debt service on the transfer station; debt service on the transfer station will apply regardless of the option selected.

HDR appreciates the opportunity to be of service to the City and looks forward to further discussion regarding the MSW management RFP and proposals received.

Respectfully,

HDR Engineering, Inc. of the Carolinas

Joe Readling, PE, VP